

Message Text

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72

ACTION EUR-25

INFO OCT-01 AF-10 EA-11 NEA-10 ADP-00 SS-15 AID-20 CEA-02

CIAE-00 COME-00 EB-11 FRB-02 INR-10 IO-13 NSAE-00

RSC-01 OPIC-12 TRSE-00 CIEP-02 LAB-06 SIL-01 OMB-01

NSC-10 AGR-20 XMB-07 RSR-01 /191 W
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R 251833 Z JUN 73

FM AMEMBASSY LONDON
TO SECSTATE WASHDC 2150
INFO AMEMBASSY ANKARA
AMEMBASSY ATHENS
AMEMBASSY BERN
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY HELSINKI
AMEMBASSY LISBON
AMEMBASSY LUXEMBOURG
AMEMBASSY MADRID
AMEMBASSY OSLO
AMEMBASSY OTTAWA
AMEMBASSY PARIS
AMEMBASSY PRETORIA
AMEMBASSY REYKJAVIK
AMEMBASSY ROME
AMEMBASSY STOCKHOLM
AMEMBASSY THE HAGUE
AMEMBASSY TOKYO
AMEMBASSY VIENNA
AMEMBASSY WELLINGTON
USMISSION EC BRUSSELS
USMISSION OECD PARIS

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E. O. 11652: N/ A

TAGS: EFIN, OECD

SUBJECT: OECD EXAMINATION OF FOREIGN INVESTMENT POLICIES

REFS: (A) STATE 118847, (B) LONDON 11567, (C) LONDON 8960

1. REF B DESCRIBED THE BRITISH GOVERNMENT' S WELL-ESTABLISHED REGIONAL POLICY, WHICH INCLUDES A VARIETY OF INVESTMENT INCENTIVES. REF C POINTED OUT THAT THERE ARE TAX BENEFITS FOR INVESTMENT IN THE UK. THESE REGIONAL AND TAX INCENTIVES ARE AVAILABLE TO ALL INVESTORS, HOWEVER. THEY APPEAR TO BE AIMED PRIMARILY AT DOMESTIC INVESTORS, AND THEY ARE DESIGNED TO STIMULATE EMPLOYMENT AND TO MODERNIZE THE UK' S INDUSTRIAL PLANT AND EQUIPMENT.

2. IT IS NOT CLEAR FROM REF A OR FROM PREVIOUS INSTRUCTIONS ON FOREIGN DIRECT INVESTMENT WHETHER THE US CONSIDERS THESE REGIONAL AND TAX POLICIES TO BE GERMANE TO THE WORK OF THE OECD EXECUTIVE COMMITTEE IN SPECIAL SESSION (XCSS), INASMUCH AS THEY ARE NOT SPECIFICALLY DESIGNED TO ENCOURAGE FOREIGN INVESTMENT, AND THEY GIVE BENEFITS THAT A DOMESTIC COMPANY COULD ALSO ENJOY IF IT DECIDED TO UNDERTAKE THE SAME CAPITAL INVESTMENT PROGRAM. FOR EXAMPLE, A NUMBER OF FOREIGN FIRMS, INCLUDING AMERICAN ONES, HAVE TAKEN ADVANTAGE OF THE UK' S REGIONAL INCENTIVES, WHICH MAY HAVE AFFECTED THE STRUCTURE OF INTERNATIONAL PRODUCTION EMPLOYMENT AND COMPETITION. HOWEVER, THESE INCENTIVES ARE OFFERED ON A NON- DISCRIMINATORY BASIS BOTH TO DOMESTIC (UK) AND FOREIGN FIRMS, AND THEIR PRIMARY PURPOSE IS TO REDUCE UNEMPLOYMENT IN BACKWARD AREAS OF THE COUNTRY - NOT TO PROMOTE EXPORTS OR TO ENCOURAGE IMPORT SUBSTITUTION.

3. THE EMBASSY WOULD BE HAPPY, IN ACCORDANCE WITH REF A, TO OBTAIN DETAILED INFORMATION BEFORE AUGUST 31 ON THE FIRMS. BEFORE DOING SO, HOWEVER, WE WOULD APPRECIATE CONFIRMATION FROM THE DEPARTMENT THAT THESE INCENTIVES - WHICH ARE NOT SPECIFICALLY DESIGNED TO ATTT RACT FOREIGN INVESTMENT - ARE RELEVANT TO THE XCSS EXAMINATION.

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4. BY THE SAME TOKEN, WE ASSUME THAT THE US IS NOT OBJECTING TO THE FACT THAT US FIRMS ESTABLISHED HERE ARE SUBJECT TO THE SAME FAVORABLE CONDITIONS (E. G. DEPRECIATION RULES) THAT APPLY TO THEIR DOMESTIC UK COMPETITORS. WOULD APPRECIATE CLARIFICATION.

ANNENBERG

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*** Current Classification *** LIMITED OFFICIAL USE

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